

TRL MONITOR

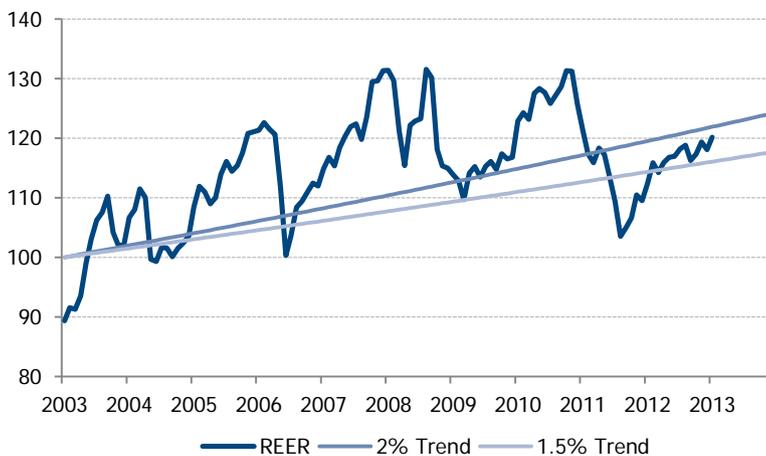
REER exceeds the 120 threshold in January

According to the CBT data, **Real Effective Exchange Rate (REER) rose to 120.16 in January**, the highest level recorded in the last two years.

- REER exceeded the CBT's "overvalued" threshold of 120 in January, backing the CBT's action of a 25bp cut at the lower band of the interest rate corridor.
- It still remained within the CBT's tolerance interval, as projected through 1.5-2.0% real appreciation annually.
- Based on our inflation forecast, REER is unlikely to stay above the 120 mark in February -- unless the TRL strengthens to below 2.065 against the currency basket in the remainder of the month -- eliminating the possibility of another cut at the lower band in the next MPC meeting scheduled for February 19.

Our calculations indicate that the TRL has outperformed the simple average of 10 EM currencies by 1.5% since the beginning of the year, as some EM currencies have weakened with respect to the USD in the last one-month period.

Exhibit 1: Real Effective Exchange Rate, 2003=100



Source: CBT, Burgan Securities

Exhibit 2: Relative Performance of TRL vs Other EM Currencies *



*Brazil, Chile, Colombia, Czech Rep, Hungary, Indonesia, Mexico, Poland, S. Africa, S. Korea
 Source: Reuters, Burgan Securities

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